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C O N F I D E N T I A L SECTION 01 OF 02 COLOMBO 000154

SIPDIS

NEW DELHI PLEASE PASS TO SA/INS DIRECTOR DAVID GOOD FROM
CHARGE LEWIS AMSELEM

E.O. 12958: DECL: 01/28/13

TAGS: [PREL](#) [PGOV](#) [PTER](#) [ECON](#) [CE](#) [LTTE](#)

SUBJECT: Scenesetter for SA/INS Director Good's
upcoming visit to Sri Lanka

(U) Classified by Charge d'Affaires Lewis Amselem.
Reasons 1.5 (b,d).

1. (C) SUMMARY: We warmly welcome your upcoming visit. It comes at an exciting time, with many of the positive trends we discussed with you during your visit last fall gaining increased traction. A ceasefire has been in place since December 2001, and the government and the Tamil Tigers continue to hold constructive Norwegian-facilitated talks. The situation remains highly fluid, however, with the intentions of the Tigers still unclear. The peace process could also be undermined by domestic problems, such as cohabitation stresses and a delicate economic situation. This period remains one of tremendous promise and your visit will help cement the gains made in U.S.-Sri Lankan relations. END SUMMARY.

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Status of the Peace Process
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2. (C) We look forward to your February 4-7 visit to Sri Lanka. It comes at an exciting time. As you know, the United National Front (UNF) government led by Prime Minister Ranil Wickremasinghe has taken an activist posture regarding the peace process since it assumed power in December 2001. In short order, the government and the Liberation Tigers of Tamil Eelam (LTTE) re-initiated the stalled Norwegian government facilitation effort and put unilateral ceasefires into effect. A formal Norwegian-monitored ceasefire accord was signed in February 2002.

3. (C) Continuing the positive trend, the two sides met in Thailand in September 2002 for their first round of peace talks since 1995. Before the talks took place, the GSL met the long-standing demand of the LTTE and lifted its ban on the organization. The LTTE, subsequently, edged away from its long-standing demand for a separate state. Since September, the government and the LTTE have held three more rounds of talks, most recently in early January. In addition, donor countries met at a conference in Oslo in November 2002, with the Deputy Secretary in attendance. Japan is scheduled to host another donors' conference in June.

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LTTE Intentions not clear
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4. (C) Despite so much progress in so short a time, the situation remains highly fluid, with the LTTE's long-term commitment to the peace process in some question. It is possible that the group may be using the peace process as a test to see if it can get what it wants (i.e., power in the north and east) without the inconvenience of war. Some of the LTTE's policy pronouncements raise red flags, including its apparent lack of interest in disarmament and demobilization. The forced recruitment of children is also a major human rights issue. There are signs of late that the LTTE is also driving a harder bargain in the face-to-face talks. Before and during the January talks, for example, the group pressed hard for a reduction in the size of the GSL's security zones in Jaffna. Although the two sides agreed to continue discussing the issue, a feeling is developing that the talks are losing some of their initial momentum. All this said, the peace process is moving forward; the pattern of LTTE activities do not lead to blue sky optimism, however.

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Cohabitation and Eastern problem
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5. (C) Another factor that could unravel the peace process is domestic opposition in the south. While playing to a small audience thus far, Sinhalese chauvinists have engaged in rallies against the peace process. A potentially more ominous threat is President Kumaratunga, who has sent mixed signals, at times constructive, at times critical. Kumaratunga's attitude

seems largely bound up in the cohabitation tensions that flare between her and the government. In addition to the cohabitation problem, the Muslim community and the LTTE share a tense relationship in the ethnically mixed east, with communal violence a real possibility.

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Economic Issues
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16. (C) Another factor that could work to hurt the peace process is Sri Lanka's economic situation, which is quite delicate. Although it has the most open economy in South Asia and a relatively high per capita income (USD 837), economic growth has been uneven and is mostly confined to the greater Colombo region. The UNF government appears committed to putting the right policies in place to re-ignite economic growth, but it has moved haltingly. If economic progress is not made, opponents of the government could gain political traction, a situation that could easily cascade to the detriment of the peace process.

17. (SBU) Meanwhile, our trade relationship with Sri Lanka entered a new phase with the signing of a bilateral Trade and Investment Framework Agreement (TIFA) in July 2002. The first TIFA council meeting took place in November during a visit to Sri Lanka by Deputy USTR Ambassador Huntsman. The U.S. intends to use the TIFA process to improve the investment climate here and win greater business for American firms.

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Conclusion
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18. (C) This exciting period in Sri Lanka provides many opportunities for the U.S. Prime Minister Wickremesinghe has worked hard to move closer to the U.S. (e.g., he played a key role in the GSL's signing of an ICC Article 98 non-surrender agreement in November). Per the recent policy review, the U.S. has taken steps to enhance its engagement with the GSL, and various USG agencies have visited to review commercial, economic, and defense issues. Your visit will help underline strong U.S. support for the peace process and our hope for even closer bilateral ties.

19. (SBU) We suggest that you make the following key points in your meetings with Sri Lankan officials:

-- Express strong U.S. support for the peace process and Norwegian facilitation.

-- GSL needs to keep up momentum; Sri Lanka is a vital symbol of movement toward peace and stability in a troubled South Asian region.

-- All parties should work in national interest in regard to the peace process and economic reform. It is important that peace process not falter because of political infighting.

-- Express appreciation to Sri Lanka for its support of the global campaign against terrorism. Review with government our Iraq policy and our hope for Sri Lanka's support in this vital area.

-- Express appreciation to GSL for signing an ICC Article 98 non-surrender agreement with U.S. and our hope for even closer bilateral ties.

110. (U) Minimize considered.

AMSELEM